

# White House Denies Snag Over Irish Envoy

## But Reagan Choice Hit With Allegations

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The White House yesterday said the nomination of William E. McCann, President Reagan's announced choice for U.S. ambassador to Ireland, is "still in process" despite a four-month delay and allegations of improper business practices by McCann.

The McCann nomination is still in process and the background check is still under way, White House spokesman David Gergen said. Gergen said he did not know of any connection between the delay on the background check and the allegations against McCann, a New Jersey insurance executive.

President Reagan announced his intention to appoint McCann, former chairman of a fund-raising group called Reagan-Bush Pioneers, at the Irish Embassy on St. Patrick's Day.

Since 1968, McCann has served as president, chief executive officer and director of operations of the Foundation Life Insurance Company of America in Chatham, N.J. He has been active in New Jersey politics and told friends he had raised "millions" for the Reagan-Bush campaign. He also served as a delegate to the 1980 Republican convention.

A Senate source said the McCann nomination had not been relayed to the Senate Foreign Relations Committee. Other sources said the Senate committee had independently begun examining the allegations, first reported by Newhouse News Service last month, that McCann's insurance company had obtained a substantial portion of its business through a man said to be linked to organized crime figures. The committee has been collecting the Newhouse reports and other stories about McCann published in American and Irish newspapers.

The Newhouse reports by Robert Cohen, prepared for use by about 30 Newhouse papers and other newspaper subscribers, examined records of two Senate Permanent Subcommittee on Investigations reports and transcripts of a 1980 federal court case in New York in which McCann testified.

Another high-ranking White House official said he was not certain "if there is a serious problem" and added that the State Department had its own clearance system for diplomatic appointments.

Although his nomination has not been forwarded to the Senate, McCann has been attending official functions involving Ireland and visited the Irish Embassy earlier this week for a ceremony attended by the president at which Mrs. Reagan's father, Loyal Davis, received an honorary fellowship from Ireland's Royal College of Surgeons.

While in town this week, McCann was called into the White House for questioning by White House counsel Fred Fielding III, a source familiar with the handling of this case said.

White House officials said that was not unusual, but Senate sources said that at this stage of the investigation such a move was rare.

McCann could not be reached for comment. The telephone for the number listed for his home in Short Hills, N.J., was not connected last night.

Gergen also denied suggestions made by sources who have spoken with McCann that CIA Director William Casey had been the primary supporter in McCann's winning approval for the ambassador's post.

In a statement released by Gergen, White House counsel Edwin Meese III said, "Bill Casey was only one of many who had known Bill McCann and had recommended him, but he was by no means a principal supporter." One of the White House officials contacted said McCann had many supporters among people responsible for raising campaign funds in New Jersey and elsewhere, including Casey and Charles Z. Wick, head of the International Communications Agency.

Casey recently has come under fire for his appointment of a New Hampshire businessman, Max Hugel, as deputy director for operations of the CIA and has been accused of knowingly misled potential investors in a 1968 farm business venture. Hugel resigned from the CIA after published reports said he had allegedly been involved in improper stock dealings with two brothers from New York, whose stock brokerage is now defunct.

McCann has been quoted by sources who know him as attributing his selection for the post of ambassador to friendship with Casey.

The court and Senate documents examined by the Newhouse reporter show that McCann's company, Foundation Life, sold millions of dollars in policies through Modern Agency, Inc., a company allegedly used as a front for convicted felon Louis C. Ostrer.

Ostrer currently is serving time at the Federal Correctional Center at Danbury, Conn., after being convicted in 1980 in New York on charges of embezzling \$1.2 million from a Brooklyn Teamsters local and of evading \$6.8 million in federal income taxes. He has been linked by Senate investigators and federal prosecutors to organized crime figures.

While in jail, Ostrer was indicted in June in connection with an alleged insurance swindle involving the welfare and benefit plans of the Laborers International Union. Others indicted included two men frequently named by federal and local sources as organized crime figures, Santos Trafficante of Florida and Anthony Accardo of Chicago. The Senate committee also has identified Ostrer as an associate of mobsters and labor racketeers.

At Ostrer's trial last year, McCann testified that he was not aware of Ostrer's alleged links to organized crime or of the revocation of his insurance license by New York State in 1967.

However, McCann did acknowledge at the trial that his company had dealt with Ostrer "in the form of a consultant" to the Modern Agency. McCann also said his company had sold from \$150 million to \$200 million in policies between 1968 and 1976 through Modern and had paid commissions in "excess of \$1 million."

McCann said in an interview with Newhouse that he did not know how much of Foundation's business was generated throughout that period by the Modern Agency, but acknowledged that in 1972 it probably amounted to about one-third of his company's total sales.